

Message Text

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ACTION OPIC-12

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9645

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FOR OPIC

E.O. 11652: N/A

TAGS: EGEN, RP

SUBJ: OPIC INSURANCE: CT AND E INTERNATIONAL,

492-73-21

REF: OPIC MEMO OF SEPTEMBER 19, 1973; STATE 234377

1. COPY OF OPIC FORM 52 GIVEN TO RADIOWEALTH GENERAL
MANAGER OZAETA DECEMBER 4.

2. MISSION RECOMMENDS APPROVAL OF GTE APPLICATION OF
INVESTMENT INSURANCE. GTE INVESTING \$2.1 MILLION IN
RADIOWEALTH, INC., LOCAL ELECTRONICS AND APPLIANCE MANU-
FACTURER. INVESTMENT WILL GIVE GTE 40 PERCENT EQUITY IN
LOCAL COMPANY. SUBSEQUENT TO GTE INVESTMENT, RADIOWEALTH
WILL ESTABLISH PLANT FOR MANUFACTURE OF 8-FOOT FLUORESCENT
LAMPS (NOT 8-INCH AS STATED IN APPLICATION). INVESTMENT
HAS BEEN APPROVED BY PHILIPPINE BOARD OF INVESTMENTS AND
CENTRAL BANK.

3. INCREASED CAPITAL RESULTING FROM GTE INVESTMENT WILL
ENABLE RADIOWEALTH TO EXPAND OPERATIONS IN OTHER LINES
AS WELL AS ESTABLISH FLUORESCENT LAMP PLANT. INCREASED
EMPLOYMENT AND FOREIGN EXCHANGE EARNINGS IN ADDITION TO
FOREIGN EXCHANGE SAVINGS FROM LOCAL PRODUCTIONS OF
FLUORESCENT LAMPS SHOULD RESULT. AT PRESENT PHILIPPINE
GOVERNMENT IS ACTIVELY SEEKING FOREIGN INVESTMENT PARTICU-
LARLY IN LABOR INTENSIVE INDUSTRIES SUCH AS ELECTRONICS.

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4. GTE IS EXPERIENCED INVESTOR IN PHILIPPINES ENJOYING LONG AND FRUITFUL FINANCIAL AND SUPPLIER RELATIONSHIP WITH PHILIPPINE LONG DISTANCE TELEPHONE CO. GTE CURRENTLY OWNS AND MANAGES FIRM PRODUCING TELEPHONE INSTRUMENTS FOR PLDT. IN THE VARIOUS ASPECTS OF ITS PHILIPPINE ASSOCIATIONS GTE ENJOYS GOOD RELATIONS WITH PHILIPPINE GOVERNMENT AND APPEARS TO HAVE NO IMAGE PROBLEMS.

5. MISSION BELIEVES INVESTMENT MEETS REQUIREMENTS OF SECTION 231 OF FOREIGN ASSISTANCE ACT OF 1969.

6. SEVERAL OF ANSWERS GIVEN BY GTE ON OPIC 52 DATED SEPTEMBER 14 REQUIRE CLARIFICATION. TO EMBASSY'S KNOWLEDGE FOLLOWING CONDITIONS OBTAIN:

QUES 7-F: EXIM BANK LOAN FOR PURCHASE OF FLUORESCENT LAMP PLANT EQUIPMENT IS CONTEMPLATED.

QUES O-A: PHILIPPINE TARIFF AND CUSTOMS CODE (SECTION 401) PROVIDES FOR REVISION OF DUTIES FOR PROTECTION OF LOCAL INDUSTRY. PRESENT DUTY ON 8-FOOT FLUORESCENT LAMPS IS 10 PERCENT. AFTER COMPLETION OF PLANT RADIOWEALTH CAN APPLY TO TARIFF COMMISSION TO HAVE RAISED TO 50 PERCENT, PRESENT DUTY ON FLUORESCENT LAMPS WHICH ARE LOCALLY MANUFACTURED, BUT IN NO CASE MORE THAN 100 PERCENT. THIS PROVISION OF TARIFF CODE IS APPLICABLE TO ANY LOCAL MANUFACTURER IN CASES WHERE LOCAL MANUFACTURING CAPACITY SUFFICIENT TO SATISFY DEMAND.

QUES 12, A(2) AND 18,A: RADIOWEALTH, INC. IS REGISTERED AS A PREFERRED NON PIONEER ENTERPRISE UNDER PHILIPPINE INVESTMENT INCENTIVE ACT AS WELL AS UNDER THE EXPORT INCENTIVE ACT. BOTH ACTS HAVE PROVISIONS WHICH EXCLUDE ENTERPRISES WITH MORE THAN 40 PERCENT FOREIGN OWNERSHIP FROM SPECIFIC BENEFITS. WITH GTE'S OWNERSHIP INTEREST HELD TO 40 PERCENT RADIOWEALTH THUS ENJOYS INCENTIVES SUCH AS DUTY FREE ENTRY OF CAPITAL EQUIPMENT. ALSO, REGISTRATION OF BOARD OF INVESTMENT REQUIRES THAT INVESTMENT BE USED TO ESTABLISH FLUORESCENT LAMP PLANT AND SETS LIMITS ON CAPACITY OF PLANT. NONE OF ARRANGEMENTS OF ENTERPRISE WITH HOST GOVERNMENT ARE*
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UNUSUAL OR UNIQUE OR ACT TO GIVE ENTERPRISE FAVORED POSITION OVER OTHER LOCAL ENTERPRISES.
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Message Attributes

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Disposition Event:
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